

LEGISLATURE OF NEBRASKA
ONE HUNDREDTH LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 4

Introduced By: Pahls, 31;
Read first time: January 4, 2007
Committee: Revenue

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend sections
2 77-2715.07 and 77-2716, Revised Statutes Cumulative
3 Supplement, 2006; to provide an income tax credit and income
4 tax adjustment for long-term care insurance premiums; to
5 provide an operative date; and to repeal the original
6 sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.07, Revised Statutes Cumulative
2 Supplement, 2006, is amended to read:

3 77-2715.07. (1) There shall be allowed to qualified resident
4 individuals as a nonrefundable credit against the income tax imposed
5 by the Nebraska Revenue Act of 1967:

6 (a) A credit equal to the federal credit allowed under
7 section 22 of the Internal Revenue Code; and

8 (b) A credit for taxes paid to another state as provided in
9 section 77-2730.

10 (2) There shall be allowed to qualified resident individuals
11 against the income tax imposed by the Nebraska Revenue Act of 1967:

12 (a) For returns filed reporting federal adjusted gross
13 incomes of greater than twenty-nine thousand dollars, a nonrefundable
14 credit equal to twenty-five percent of the federal credit allowed
15 under section 21 of the Internal Revenue Code of 1986, as amended;

16 (b) For returns filed reporting federal adjusted gross
17 income of twenty-nine thousand dollars or less, a refundable credit
18 equal to a percentage of the federal credit allowable under section 21
19 of the Internal Revenue Code of 1986, as amended, whether or not the
20 federal credit was limited by the federal tax liability. The
21 percentage of the federal credit shall be one hundred percent for
22 incomes not greater than twenty-two thousand dollars, and the
23 percentage shall be reduced by ten percent for each one thousand
24 dollars, or fraction thereof, by which the reported federal adjusted
25 gross income exceeds twenty-two thousand dollars;

26 (c) A refundable credit for individuals who qualify for an
27 income tax credit as an owner of agricultural assets under the

1 Beginning Farmer Tax Credit Act for all taxable years beginning or
2 deemed to begin on or after January 1, 2001, under the Internal
3 Revenue Code of 1986, as amended; and a refundable credit as provided
4 in section 77-5209.01 for individuals who qualify for an income tax
5 credit as a qualified beginning farmer or livestock producer under the
6 Beginning Farmer Tax Credit Act for all taxable years beginning or
7 deemed to begin on or after January 1, 2006, under the Internal
8 Revenue Code of 1986, as amended;

9 (d) A refundable credit for individuals who qualify for an
10 income tax credit under the Nebraska Advantage Microenterprise Tax
11 Credit Act or the Nebraska Advantage Research and Development Act; and

12 (e) A refundable credit equal to eight percent of the
13 federal credit allowed under section 32 of the Internal Revenue Code
14 of 1986, as amended.

15 (3) There shall be allowed to all individuals as a
16 nonrefundable credit against the income tax imposed by the Nebraska
17 Revenue Act of 1967:

18 (a) A credit for personal exemptions allowed under section
19 77-2716.01; and

20 (b) A credit for contributions to certified community
21 betterment programs as provided in the Community Development
22 Assistance Act. Each partner, each shareholder of an electing
23 subchapter S corporation, each beneficiary of an estate or trust, or
24 each member of a limited liability company shall report his or her
25 share of the credit in the same manner and proportion as he or she
26 reports the partnership, subchapter S corporation, estate, trust, or
27 limited liability company income.

1 (4) There shall be allowed as a credit against the income
2 tax imposed by the Nebraska Revenue Act of 1967:

3 (a) A credit to all resident estates and trusts for taxes
4 paid to another state as provided in section 77-2730; and

5 (b) A credit to all estates and trusts for contributions to
6 certified community betterment programs as provided in the Community
7 Development Assistance Act.

8 (5) There shall be allowed to all business firms as a credit
9 against the income tax imposed by the Nebraska Revenue Act of 1967 a
10 credit as provided in section 77-27,222.

11 (6) For an individual who does not itemize deductions on
12 his or her federal income tax return, there shall be allowed as a
13 credit against the income tax imposed by the Nebraska Revenue Act of
14 1967 an amount equal to twenty-five percent of the premiums paid
15 during the taxable year for one or more long-term care insurance
16 policies issued pursuant to the Long-Term Care Insurance Act that
17 offer coverage to the individual, the individual's spouse, parent, or
18 immediate family member, or a dependent for whom the individual was
19 allowed to deduct a personal exemption for the taxable year. No
20 taxpayer shall be entitled to such credit (a) with respect to the
21 same expended amounts for long-term care insurance policy premiums
22 which are claimed by another taxpayer or (b) if the premiums were
23 paid from withdrawals made as a participant in the Nebraska long-term
24 care savings plan under the Long-Term Care Savings Plan Act. The
25 credit allowed by this subsection shall not exceed five hundred
26 dollars or the taxpayer's income tax liability, whichever is less,
27 for each long-term care insurance policy. Any unused tax credit shall

1 not be allowed to be carried forward to apply to the taxpayer's
2 succeeding year's liability.

3 Sec. 2. Section 77-2716, Revised Statutes Cumulative
4 Supplement, 2006, is amended to read:

5 77-2716. (1) The following adjustments to federal adjusted
6 gross income or, for corporations and fiduciaries, federal taxable
7 income shall be made for interest or dividends received:

8 (a) There shall be subtracted interest or dividends received
9 by the owner of obligations of the United States and its territories
10 and possessions or of any authority, commission, or instrumentality of
11 the United States to the extent includable in gross income for federal
12 income tax purposes but exempt from state income taxes under the laws
13 of the United States;

14 (b) There shall be subtracted that portion of the total
15 dividends and other income received from a regulated investment
16 company which is attributable to obligations described in subdivision
17 (a) of this subsection as reported to the recipient by the regulated
18 investment company;

19 (c) There shall be added interest or dividends received by
20 the owner of obligations of the District of Columbia, other states of
21 the United States, or their political subdivisions, authorities,
22 commissions, or instrumentalities to the extent excluded in the
23 computation of gross income for federal income tax purposes except
24 that such interest or dividends shall not be added if received by a
25 corporation which is a regulated investment company;

26 (d) There shall be added that portion of the total dividends
27 and other income received from a regulated investment company which is

1 attributable to obligations described in subdivision (c) of this
2 subsection and excluded for federal income tax purposes as reported to
3 the recipient by the regulated investment company; and

4 (e)(i) Any amount subtracted under this subsection shall be
5 reduced by any interest on indebtedness incurred to carry the
6 obligations or securities described in this subsection or the
7 investment in the regulated investment company and by any expenses
8 incurred in the production of interest or dividend income described in
9 this subsection to the extent that such expenses, including
10 amortizable bond premiums, are deductible in determining federal
11 taxable income.

12 (ii) Any amount added under this subsection shall be reduced
13 by any expenses incurred in the production of such income to the
14 extent disallowed in the computation of federal taxable income.

15 (2) There shall be allowed a net operating loss derived from
16 or connected with Nebraska sources computed under rules and
17 regulations adopted and promulgated by the Tax Commissioner
18 consistent, to the extent possible under the Nebraska Revenue Act of
19 1967, with the laws of the United States. For a resident individual,
20 estate, or trust, the net operating loss computed on the federal
21 income tax return shall be adjusted by the modifications contained in
22 this section. For a nonresident individual, estate, or trust or for a
23 partial-year resident individual, the net operating loss computed on
24 the federal return shall be adjusted by the modifications contained in
25 this section and any carryovers or carrybacks shall be limited to the
26 portion of the loss derived from or connected with Nebraska sources.

27 (3) There shall be subtracted from federal adjusted gross

1 income for all taxable years beginning on or after January 1, 1987,
2 the amount of any state income tax refund to the extent such refund
3 was deducted under the Internal Revenue Code, was not allowed in the
4 computation of the tax due under the Nebraska Revenue Act of 1967, and
5 is included in federal adjusted gross income.

6 (4) Federal adjusted gross income, or, for a fiduciary,
7 federal taxable income shall be modified to exclude the portion of the
8 income or loss received from a small business corporation with an
9 election in effect under subchapter S of the Internal Revenue Code or
10 from a limited liability company organized pursuant to the Limited
11 Liability Company Act that is not derived from or connected with
12 Nebraska sources as determined in section 77-2734.01.

13 (5) There shall be subtracted from federal adjusted gross
14 income or, for corporations and fiduciaries, federal taxable income
15 dividends received or deemed to be received from corporations which
16 are not subject to the Internal Revenue Code.

17 (6) There shall be subtracted from federal taxable income a
18 portion of the income earned by a corporation subject to the Internal
19 Revenue Code of 1986 that is actually taxed by a foreign country or
20 one of its political subdivisions at a rate in excess of the maximum
21 federal tax rate for corporations. The taxpayer may make the
22 computation for each foreign country or for groups of foreign
23 countries. The portion of the taxes that may be deducted shall be
24 computed in the following manner:

25 (a) The amount of federal taxable income from operations
26 within a foreign taxing jurisdiction shall be reduced by the amount of
27 taxes actually paid to the foreign jurisdiction that are not

1 deductible solely because the foreign tax credit was elected on the
2 federal income tax return;

3 (b) The amount of after-tax income shall be divided by one
4 minus the maximum tax rate for corporations in the Internal Revenue
5 Code; and

6 (c) The result of the calculation in subdivision (b) of this
7 subsection shall be subtracted from the amount of federal taxable
8 income used in subdivision (a) of this subsection. The result of such
9 calculation, if greater than zero, shall be subtracted from federal
10 taxable income.

11 (7) Federal adjusted gross income shall be modified to
12 exclude any amount repaid by the taxpayer for which a reduction in
13 federal tax is allowed under section 1341(a)(5) of the Internal
14 Revenue Code.

15 (8)(a) Federal adjusted gross income or, for corporations
16 and fiduciaries, federal taxable income shall be reduced, to the
17 extent included, by income from interest, earnings, and state
18 contributions received from the Nebraska educational savings plan
19 trust created in sections 85-1801 to 85-1814.

20 (b) Federal adjusted gross income or, for corporations and
21 fiduciaries, federal taxable income shall be reduced, to the extent
22 not deducted for federal income tax purposes, by the amount of any
23 gift, grant, or donation made to the Nebraska educational savings plan
24 trust for deposit in the endowment fund of the trust.

25 (c) Federal adjusted gross income or, for corporations and
26 fiduciaries, federal taxable income shall be reduced by any
27 contributions as a participant in the Nebraska educational savings

1 plan trust, to the extent not deducted for federal income tax
2 purposes, but not to exceed five hundred dollars per married filing
3 separate return or one thousand dollars for any other return.

4 (d) Federal adjusted gross income or, for corporations and
5 fiduciaries, federal taxable income shall be increased by the amount
6 resulting from the cancellation of a participation agreement refunded
7 to the taxpayer as a participant in the Nebraska educational savings
8 plan trust to the extent previously deducted as a contribution to the
9 trust.

10 (9)(a) For income tax returns filed after September 10,
11 2001, for taxable years beginning or deemed to begin before January 1,
12 2006, under the Internal Revenue Code of 1986, as amended, federal
13 adjusted gross income or, for corporations and fiduciaries, federal
14 taxable income shall be increased by eighty-five percent of any amount
15 of any federal bonus depreciation received under the federal Job
16 Creation and Worker Assistance Act of 2002 or the federal Jobs and
17 Growth Tax Act of 2003, under section 168(k) or section 1400L of the
18 Internal Revenue Code of 1986, as amended, for assets placed in
19 service after September 10, 2001, and before December 31, 2005.

20 (b) For a partnership, limited liability company,
21 cooperative, including any cooperative exempt from income taxes under
22 section 521 of the Internal Revenue Code of 1986, as amended,
23 subchapter S corporation, or joint venture, the increase shall be
24 distributed to the partners, members, shareholders, patrons, or
25 beneficiaries in the same manner as income is distributed for use
26 against their income tax liabilities.

27 (c) For a corporation with a unitary business having

1 activity both inside and outside the state, the increase shall be
2 apportioned to Nebraska in the same manner as income is apportioned to
3 the state by section 77-2734.05.

4 (d) The amount of bonus depreciation added to federal
5 adjusted gross income or, for corporations and fiduciaries, federal
6 taxable income by this subsection shall be subtracted in a later
7 taxable year. Twenty percent of the total amount of bonus depreciation
8 added back by this subsection for tax years beginning or deemed to
9 begin before January 1, 2003, under the Internal Revenue Code of 1986,
10 as amended, may be subtracted in the first taxable year beginning or
11 deemed to begin on or after January 1, 2005, under the Internal
12 Revenue Code of 1986, as amended, and twenty percent in each of the
13 next four following taxable years. Twenty percent of the total amount
14 of bonus depreciation added back by this subsection for tax years
15 beginning or deemed to begin on or after January 1, 2003, may be
16 subtracted in the first taxable year beginning or deemed to begin on
17 or after January 1, 2006, under the Internal Revenue Code of 1986, as
18 amended, and twenty percent in each of the next four following taxable
19 years.

20 (10) For taxable years beginning or deemed to begin on or
21 after January 1, 2003, and before January 1, 2006, under the Internal
22 Revenue Code of 1986, as amended, federal adjusted gross income or,
23 for corporations and fiduciaries, federal taxable income shall be
24 increased by the amount of any capital investment that is expensed
25 under section 179 of the Internal Revenue Code of 1986, as amended,
26 that is in excess of twenty-five thousand dollars that is allowed
27 under the federal Jobs and Growth Tax Act of 2003. Twenty percent of

1 the total amount of expensing added back by this subsection for tax
2 years beginning or deemed to begin on or after January 1, 2003, may be
3 subtracted in the first taxable year beginning or deemed to begin on
4 or after January 1, 2006, under the Internal Revenue Code of 1986, as
5 amended, and twenty percent in each of the next four following tax
6 years.

7 (11)(a) Federal adjusted gross income shall be reduced by
8 contributions, up to two thousand dollars per married filing jointly
9 return or one thousand dollars for any other return, and any
10 investment earnings made as a participant in the Nebraska long-term
11 care savings plan under the Long-Term Care Savings Plan Act, to the
12 extent not deducted for federal income tax purposes.

13 (b) Federal adjusted gross income shall be increased by the
14 withdrawals made as a participant in the Nebraska long-term care
15 savings plan under the act by a person who is not a qualified
16 individual or for any reason other than transfer of funds to a spouse,
17 long-term care expenses, long-term care insurance premiums, or death
18 of the participant, including withdrawals made by reason of
19 cancellation of the participation agreement or termination of the
20 plan, to the extent previously deducted as a contribution or as
21 investment earnings.

22 (12) For an individual who itemized deductions on his or
23 her federal income tax return, there shall be subtracted from federal
24 adjusted gross income an amount equal to the premiums paid by an
25 individual during the tax year for one or more long-term care
26 insurance policies issued pursuant to the Long-Term Care Insurance
27 Act that offer coverage to the individual, the individual's spouse,

1 parent, or immediate family member, or a dependent for whom the
2 individual claims a personal exemption on his or her federal income
3 tax return. Federal adjusted gross income shall not be reduced by any
4 amount of premiums paid from withdrawals made as a participant in the
5 Nebraska long-term care savings plan under the Long-Term Care Savings
6 Plan Act.

7 Sec. 3. This act is operative for all taxable years
8 beginning or deemed to begin on or after January 1, 2007, under the
9 Internal Revenue Code of 1986, as amended.

10 Sec. 4. Original sections 77-2715.07 and 77-2716, Revised
11 Statutes Cumulative Supplement, 2006, are repealed.